

UNC Charlotte North Carolina Economic Forecast

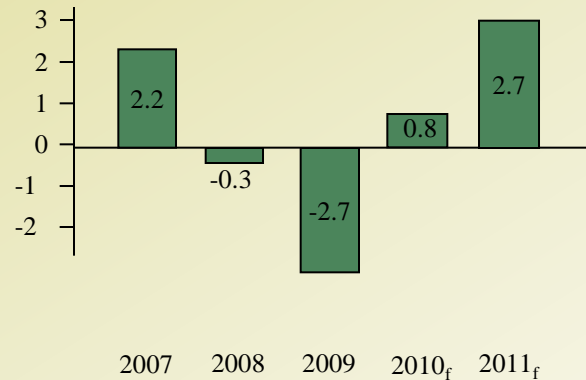
September 15, 2010



UNC CHARLOTTE

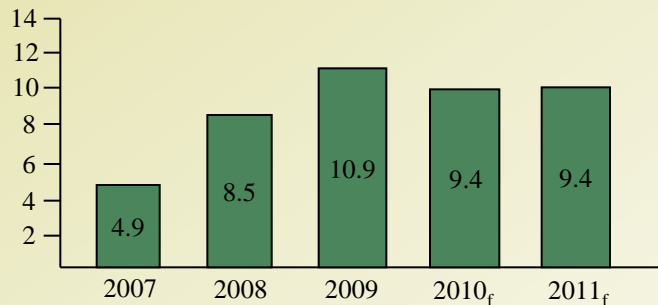
BELK COLLEGE *of* BUSINESS

Annual Growth Rates In Real GSP



GSP (Gross State) Product is a yardstick that measures the total output of a state's economy during a given year period. It is analogous to the U.S. Gross Domestic Product (GDP).

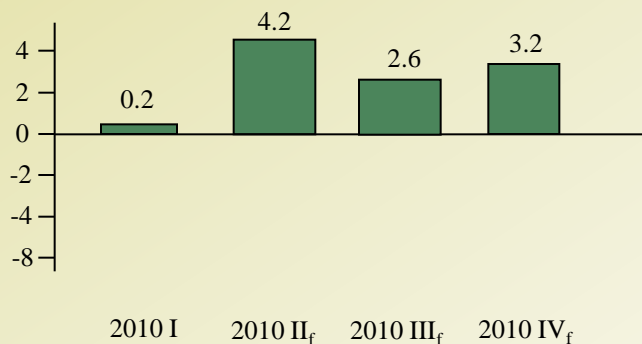
Year-End Seasonally Adjusted North Carolina Unemployment Rates



Forecast Highlights

- For 2010, NORTH CAROLINA real GSP is expected to increase by 0.8 percent over the 2009 level.
- Seven of the state's eleven economic sectors are expected to experience increases during 2010. The sectors with the expected strongest increases are Agriculture with a real increase of 7.7 percent, Government with a real increase of 5.4 percent, and Services with a real increase of 4.4 percent
- For 2010 NORTH CAROLINA establishments are expected to gain 37,400 net jobs over the 2009 level.
- Only four of the state's ten nonagricultural sectors of the economy are expected to experience job gains during 2010.
- The NORTH CAROLINA unemployment rate was at 9.8 percent in July of 2010 and is expected to decrease to 9.4 percent by the end of the year.
- For 2011, NORTH CAROLINA real GSP is forecast to increase by 2.7 percent over the 2010 level.
- Seven of the state's eleven economic sectors are forecast to experience output increases during 2011. The sectors with the strongest expected growth are Finance, Insurance, and Real estate (FIRE) with a projected real increase of 5.5 percent; Services with a projected real increase of 4.8 percent; and Government with a projected real increase of 3.9 percent.
- For 2011 NORTH CAROLINA establishments are forecast to add 19,700 net jobs, an increase of 0.5 percent.

QUARTERLY GROWTH RATES IN REAL GSP



2010 GSP

Gross State Product (GSP) is expected to reach a level of \$396,919.5 million in 2010. Real (inflation adjusted) GSP is expected to increase by 0.8 percent over the 2009 level. The expected GSP increase in 2010 represents the first year of increase since 2007 and comes after two years of GSP decline during the recession of 2008-2009.

The North Carolina economy experienced a modest increase in GSP during the first quarter of 2010. During this quarter, GSP increased by an annualized real growth rate of 0.2 percent. For the second quarter, GSP is expected to increase by an annualized real rate of 4.2 percent. During the second half of the year growth is expected to slow, with third quarter GSP forecast to increase by an annualized rate of 2.6 percent and fourth quarter GSP forecast to increase by an annualized rate of 3.2 percent.

The first quarter GSP performance was considerably weaker than the U.S. GDP increase of 3.7 percent. The expected second quarter increase in North Carolina GSP is a little stronger than the U.S. experience of 1.6 growth in GDP. Overall, both the U.S. and North Carolina economies are expected to perform weakly over the second half of 2010. Although there is little likelihood of a “double dip” during the second half of the year, the economy will be sluggish enough that to most it will feel like a double dip. While GDP and GSP will experience modest growth, it will not be sufficient to generate significant job growth during the second half of 2010.

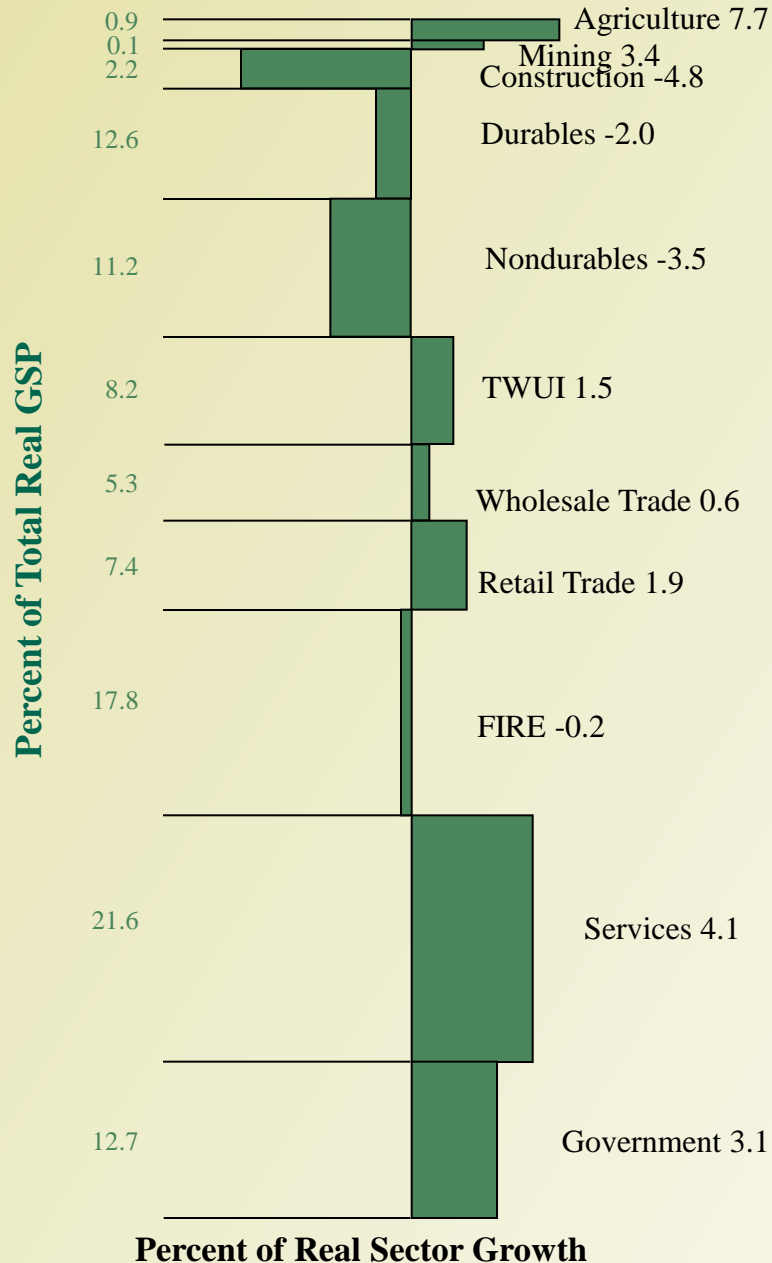
The national economy has put together four consecutive quarters of expansion, while the North Carolina economy has struggled to put two quarters of growth together. The state’s economic growth during this time has only been sufficient to stem job losses and not to generate job growth.

2010 Highlights

	2010 *	Percent Change
Current Dollars		
Total Gross Product	396,919.5	0.8
Constant (2000 Dollars)		
Total Gross Product	335,842.9	0.8
Farm	2,199.7	17.6
Agricultural Services	882.4	7.7
Mining	307.9	3.4
Construction	7,448.2	-4.8
Manufacturing	79,827.5	-2.7
Durable Goods	42,379.2	-2.0
Nondurable Goods	37,448.25	-3.5
TWUI	27,615.7	1.5
Wholesale Trade	17,778.7	0.6
Retail Trade	24,841.2	1.9
FIRE	59,857.1	-0.2
Services	72,409.25	4.1
Government	42,675.4	3.1

* millions of dollars

2010 Total Real GSP Growth 0.8%



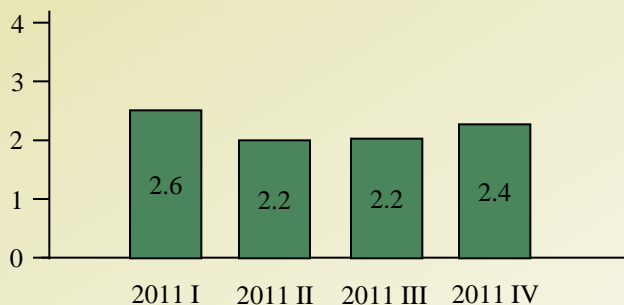
2010 GSP Sector Analysis

The chart to the left presents the contributions of each major economic sector to North Carolina's Gross State Product (GSP). The real (inflation adjusted) growth rate for 2010 is expected to increase by 0.8 percent. The expected real growth rates for each sector (displayed in black type) are plotted on the horizontal axis. The percentages of GSP contributed by each sector (displayed in green type) are plotted on the vertical axis. The resulting rectangles show the weighted importance of each sectors' expected growth during 2010. All of the sector information presented in the table to the left is based on the new North American Industry Classification System (NAICS) definitions.

Seven of the state's eleven economic sectors are expected to experience increases during 2010. The sectors with the expected strongest increases are Agriculture with a real increase of 7.7 percent; Services with a real increase of 4.1 percent; Mining with a real increase of 3.4 percent; Government with a real increase of 3.1 percent; Retail Trade with a real increase of 1.9 percent; and Transportation, Warehousing, Utilities and Information (TWUI) with a real increase of 1.5 percent. One other sector, Wholesale Trade, is also expected to grow but with an increase of 0.6 percent which is slightly below the overall GSP growth of 0.8 percent.

Four sectors are expected to experience a decline during 2010. These sectors are Construction with a real decline of 4.8 percent; Nondurable Goods Manufacturing with a real decline of 3.5 percent; Durable Goods Manufacturing with a real decline of 2.0 percent; and Finance, Insurance and Real Estate (FIRE) with a real decline of 0.2 percent.

QUARTERLY GROWTH RATES IN FORECASTED REAL GSP



2011 Highlights

	2011 *	Percent Change
Current Dollars		
Total Gross Product	413,457.9	2.8
Constant (2000 Dollars)		
Total Gross Product	344,812.2	2.7
Farm	2,135.7	-2.9
Agricultural Services	870.7	-1.3
Mining	308.6	0.2
Construction	7,419.8	-0.4
Manufacturing	78,487.9	-2.0
Durable Goods	41,080.9	-3.1
Nondurable Goods	37,407.0	-0.1
TWUI	28,285.0	2.4
Wholesale Trade	18,415.0	3.6
Retail Trade	25,587.9	3.0
FIRE	63,127.2	5.5
Services	75,851.5	4.8
Government	44,323.0	3.9

* millions of dollars

2011 GSP

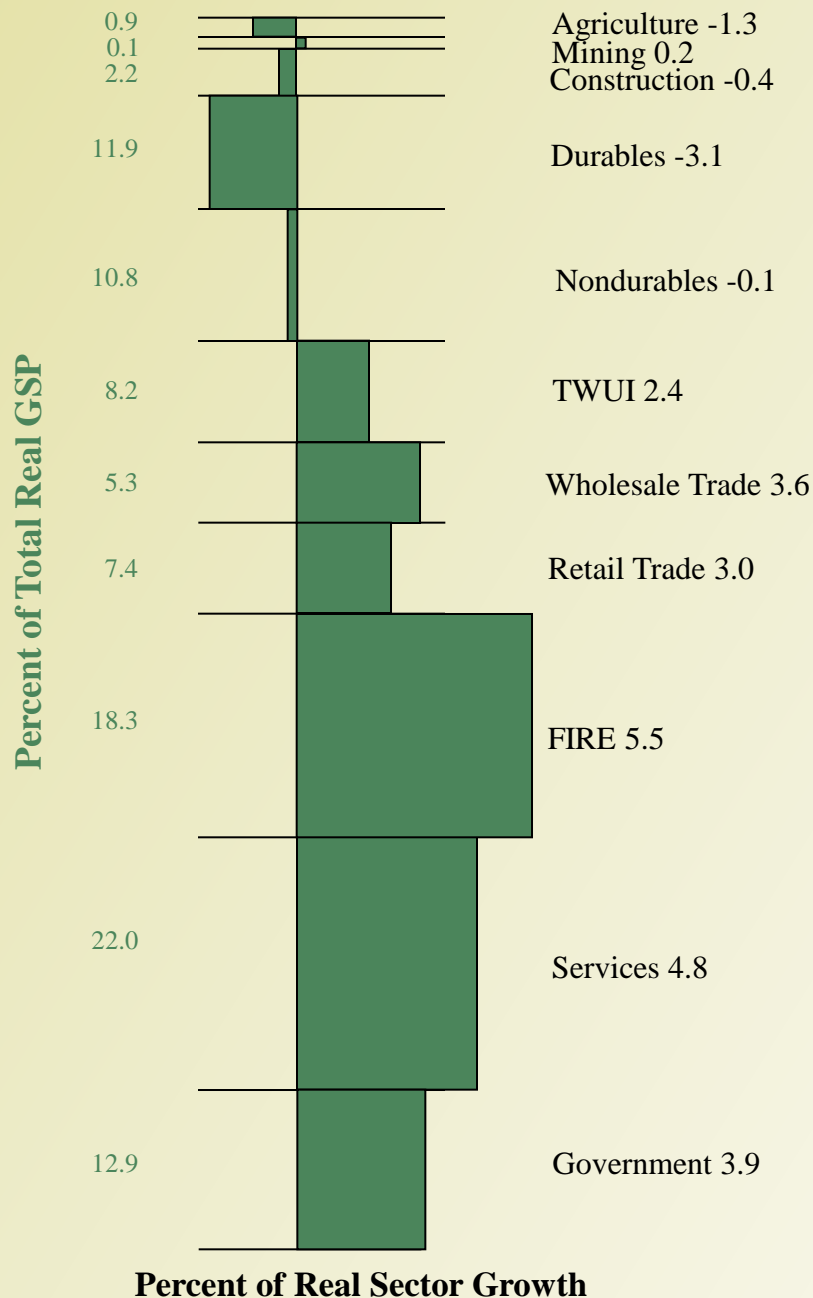
Gross State Product (GSP) is expected to reach a level of \$413,457.9 million in 2011. Real (inflation adjusted) GSP is expected to increase by 2.7 percent over the 2010 level. This growth in 2011 would follow very modest growth in 2010 after two years of GSP declines during the 2008-2009 recession.

For 2011, first quarter GSP is expected to increase by an annualized real rate of 2.6 percent. During the second quarter, GSP should again increase by an annualized real rate of 2.2 percent. In the third quarter, GSP growth is expected to remain stable and record an annualized real growth rate of 2.2 percent. In the fourth quarter of 2010, GSP is expected to grow at an annualized real rate of 2.4 percent.

The recession which began nationally in January 2008 lasted six quarters for the U.S. , making the 2008-2009 recession the longest recession since before World War II. The 2008-2009 recession affected the North Carolina economy more severely than the U.S. economy, and after eight consecutive quarters of GSP decline, the North Carolina economy began a weak recovery in the first quarter of 2010. The expansion in the North Carolina economy during the four quarters of 2010 is expected to be modest , with some weakness during the second half of the year. This second half slowing will set the stage for 2011.

While the recovery in GSP is underway ,job growth is likely to be very slow during the remainder of 2010 and into 2011. North Carolina lost over 280,000 jobs during 2008 and 2009, and it is likely to take four or five years to regain those lost jobs. Job growth will be the biggest problem for both the U.S. and North Carolina economies over the next several years.

2011 Total Real GSP Growth 2.7%



2011 GSP Sector Analysis

The chart to the left presents the projected contributions of each major economic sector to North Carolina's Gross State Product (GSP). The real (inflation adjusted) growth rate for 2011 is forecast to increase by 2.7 percent. Projected real growth rates for each sector (displayed in black type) are plotted on the horizontal axis. Projected percentages of GSP contributed by each sector (displayed in green type) are plotted on the vertical axis. The resulting rectangles show the expected weighted importance of each sectors' growth during 2011. All of the sector information presented in the table to the left is based on the new North American Industry Classification System (NAICS) definitions.

Only seven of the state's eleven economic sectors are forecast to experience output increases during 2011. The sectors with the strongest expected growth are Finance, Insurance, and Real Estate (FIRE) with a projected real increase of 5.5 percent; Services with a projected real increase of 4.8 percent; Government with a projected real increase of 3.9 percent; and Retail Trade with a projected real increase of 3.0 percent. Two other sectors are also expected to experience output growth but at rates less than the overall state level: Transportation, Warehousing, Utilities and Information (TWUI) with a projected real increase of 2.4 percent; and Mining with a projected real increase of 0.2 percent.

Four sectors are expected to experience declines during 2011. These sectors are Durable Goods Manufacturing with a projected real decline of 3.1 percent, Agriculture with a projected real decline of 1.3 percent, Construction with a projected real decline of 0.4 percent, and Nondurable Goods Manufacturing with a projected real decline of 0.1 percent.

2010 Year-End Employment Trends



2010 Employment Sector Analysis

The sector employment analysis presented on this page is based on the new North American Industrial Classification System (NAICS). Seasonally adjusted nonagricultural employment in North Carolina is expected to reach 3,912,500 persons by December 2010, an increase of 1.0 percent over the employment level in December 2009. The state is expected to gain 37,400 net jobs during the year.

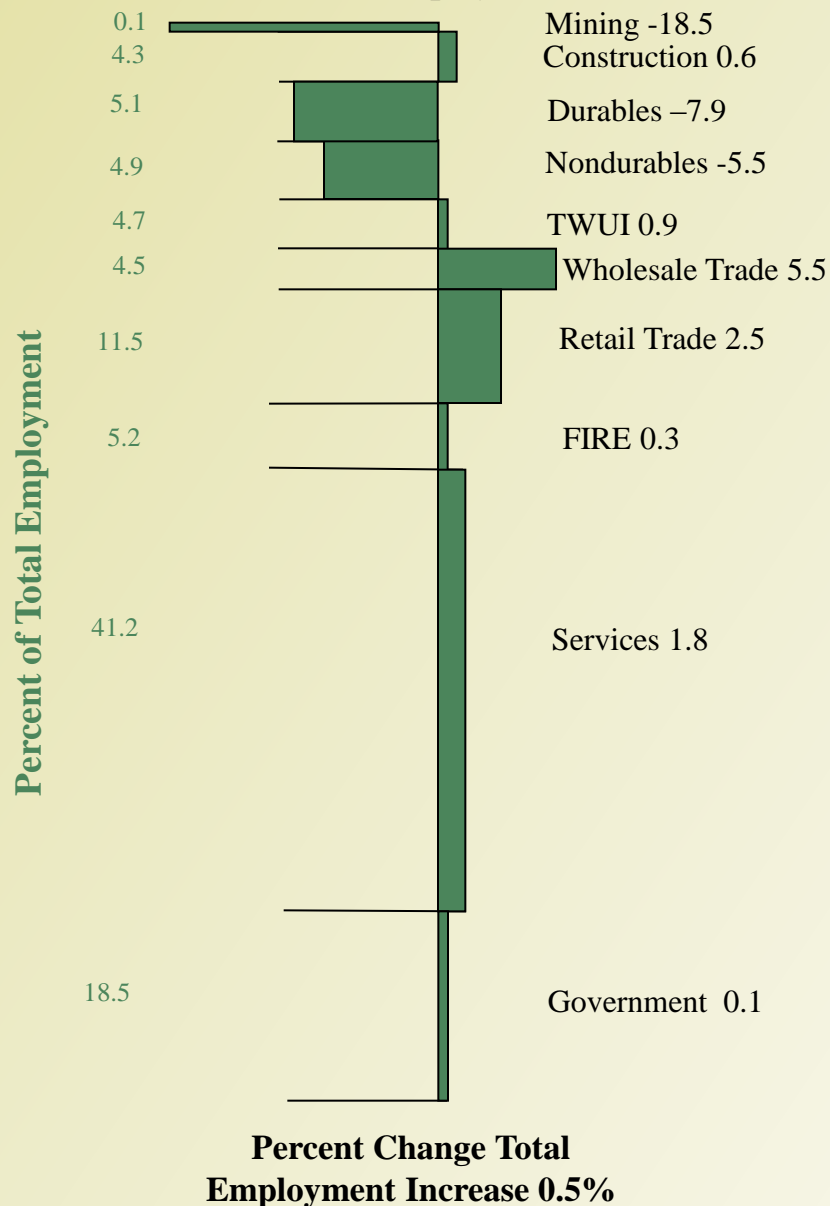
Only four of the state's ten nonagricultural sectors of the economy are expected to experience employment increases during 2010. The sectors with the strongest employment increases in 2010 are Retail Trade at 3.8 percent, Wholesale Trade at 3.0 percent, Services at 1.9 percent, and FIRE at 1.2 percent.

2010 Employment Highlights

	Year-End*	Percent Change
Total Establishment		
Employment	3912.5	1.0
Mining	5.7	-3.3
Construction	171.5	-3.1
Manufacturing	422.6	-1.6
Durable Goods	217.9	-1.0
Nondurable Goods	204.7	-3.0
TWUI	182.9	-0.3
Wholesale Trade	167.7	3.0
Retail Trade	442.9	3.8
FIRE	202.0	1.2
Services	1591.7	1.9
Government	725.4	-0.0

*thousands of persons

2011 Year-End Employment Trends



2011 Employment Sector Analysis

The sector employment analysis presented on this page is based on the new North American Industrial Classification System (NAICS). Seasonally adjusted nonagricultural employment in North Carolina is expected to reach 3,932,200 persons in December 2011, an increase of 0.5 percent over the employment level in December 2010. The state is expected to gain 19,700 net jobs during the year.

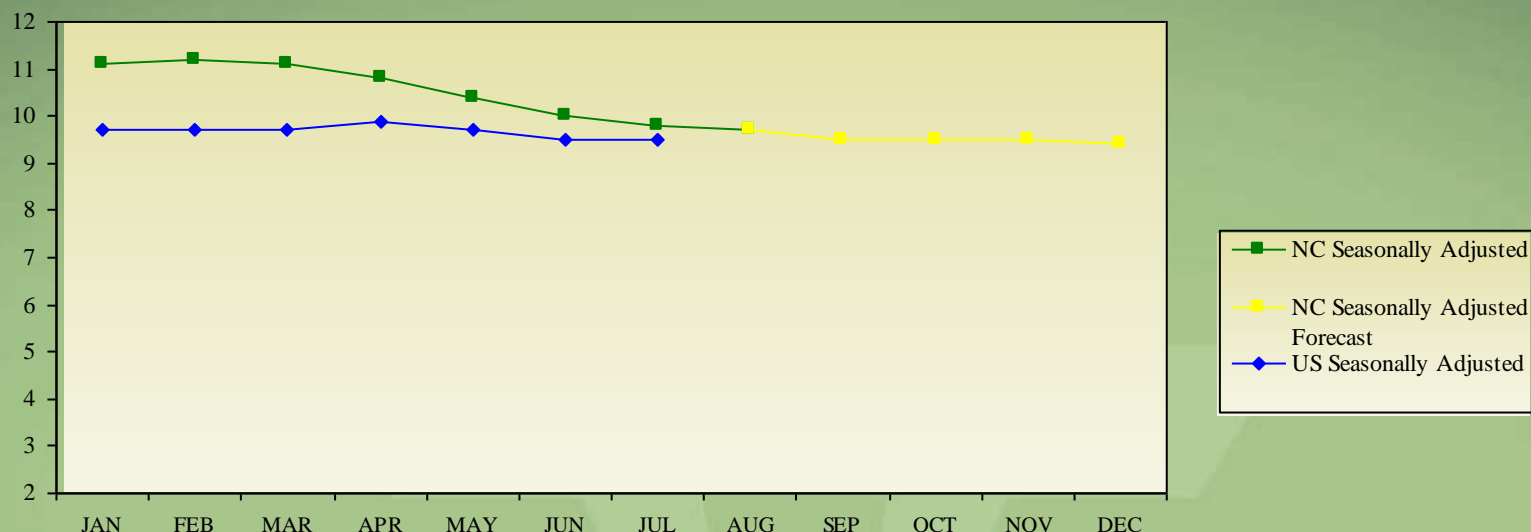
Seven of the state's ten nonagricultural sectors of the economy are expected to experience employment increases during 2011. The sectors with the strongest employment increases in 2011 are Wholesale Trade at 5.5 percent, Retail Trade at 2.5 percent and Services at 1.8 percent.

2011 Employment Highlights

	Year-End*	Percent Change
Total Establishment		
Employment	3932.2	0.5
Mining	4.7	-18.5
Construction	168.3	-1.6
Manufacturing	394.2	-6.7
Durable Goods	200.7	-7.9
Nondurable Goods	193.5	-5.5
TWUI	184.5	0.9
Wholesale Trade	176.9	5.5
Retail Trade	454.1	2.5
FIRE	202.7	0.3
Services	1620.3	1.8
Government	726.4	0.1

*thousands of persons

2010 NORTH CAROLINA UNEMPLOYMENT RATES



FORECAST reports historical seasonally adjusted monthly unemployment rates for North Carolina and the United States and forecasts the seasonally adjusted monthly unemployment rate for North Carolina. The seasonal adjustment accounts for variations in labor market conditions that cause regular fluctuations in the unemployment level each month.

The graph at the top of this page provides a summary of the monthly unemployment rates for 2010. The solid green line represents the North Carolina seasonally adjusted historic unemployment rate. The seasonally adjusted unemployment rate for the United States is represented by the solid blue line. The North Carolina seasonally adjusted unemployment rate forecast is presented by the solid yellow line. The seasonally adjusted rates for the United States and North Carolina can be directly compared and provide more reliable estimates than the unadjusted rates.

The North Carolina seasonally adjusted unemployment rate began the year at 11.1 percent, almost 1.5 percentage points higher than the United States rate. By July, the North Carolina rate had dropped to 9.8, while the United States rate had fallen to 9.5 percent. Both the U.S. and North Carolina unemployment rates are expected to continue to decline slightly during the year, and by December the North Carolina unemployment rate is expected to decrease to 9.4 percent.